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09040301

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response . . . 12.00

SEC FILE NUMBER

8- 53603

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Fairfield Heathcliff Capital LLC**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**55 East 52<sup>nd</sup> Street, 33rd Floor**

FIRM I.D. NO.

**New York**

(No. and Street)  
**New York**

**10055**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Matthew J. Levinson**

**212-319-6060**

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Berkow, Schechter & Company LLP**

**350 Bedford Street**

(Name - of individual, state last, first, middle name)

**Stamford**

**CT**

**06901**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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information contained in this form are not required to respond  
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## OATH OR AFFIRMATION

I, Matthew J. Levinson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Fairfield Heathcliff Capital LLC, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

  
THOMAS ROGERS  
Notary Public, State of New York  
No. 01RO6134625  
Qualified in New York County  
Commission Expires Oct. 3, 2009

February 20, 2009  
Notary Public

  
Signature  
Chief Financial Officer  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent auditor's report on internal control.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Fairfield Heathcliff Capital LLC  
Statement of Financial Condition

December 31, 2008

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## Report of Independent Auditors

Fairfield Greenwich Limited, Sole Member  
Fairfield Heathcliff Capital LLC

We have audited the accompanying statement of financial condition of Fairfield Heathcliff Capital LLC (the "Company") as of December 31, 2008. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Fairfield Heathcliff Capital LLC at December 31, 2008, in conformity with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Berkow, Schechter &amp; Company LLP".

Berkow, Schechter & Company LLP

February 17, 2009

Fairfield Heathcliff Capital LLC  
Statement of Financial Condition  
December 31, 2008

**Assets**

Cash	\$ 6,749,979
Other assets	20,526
Total Assets	<u>\$ 6,770,505</u>

**Liabilities and Member's Capital**

Liabilities:

Salaries payable	\$ 12,952
Payable to Fairfield Greenwich Advisors LLC	510,101
Accrued expenses	876,937
	<u>1,399,990</u>

Member's Capital	5,370,515
Total Liabilities and Member's Capital	<u>\$ 6,770,505</u>

*See notes to statement of financial condition.*

Fairfield Heathcliff Capital LLC  
Notes to Statement of Financial Condition  
December 31, 2008

## **1. Organization**

### **Nature of Business**

Fairfield Heathcliff Capital LLC (the "Company"), a Delaware limited liability company, is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority (the "FINRA"). The Company serves as a non-exclusive placement agent in connection with the private placement of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. These private placements are made with respect to U.S. and non-U.S. private investment funds in which most cases an affiliate of the Company acts as either the general partner or manager. Fairfield Greenwich Limited ("FGL") is the sole member of the Company.

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

The statement of financial condition is prepared in conformity with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

### **Cash**

The cash balance as of December 31, 2008 is held with one major financial institution.

### **Income Taxes**

As a single member Limited Liability Company, the Company is a disregarded entity for income tax purposes. Therefore, income taxes are the responsibility of the sole member.

## **3. Payable to Fairfield Greenwich Advisors LLC**

The Company has entered in to an Expense Sharing Agreement with Fairfield Greenwich Advisors LLC ("FGA"), an affiliate of the Company. Under this agreement, FGA allocates certain costs to the Company. These costs generally include occupancy and employee related expenses. The Company agrees to reimburse FGA for these expenses within 45 days of the end of each calendar quarter.

## **4. Accrued expenses**

This balance primarily consists of employee compensation and related expenses.

Fairfield Heathcliff Capital LLC  
Notes to Statement of Financial Condition (continued)  
December 31, 2008

**5. Profit Sharing Plan**

FGA has adopted a cross-tested 401(k) profit sharing plan. The Company is an adopting employer of the plan, and therefore, its employees are covered under the plan. The Company has the discretion to match participants' 401(k) contributions and to contribute additional amounts on behalf of the participants.

**6. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (the "Rule") and the FINRA's growth and business reduction capital requirements. The Company computes its net capital under the basic method of the Rule which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined.

At December 31, 2008 the Company had net capital of \$5,349,989, which was \$5,256,657 in excess of its required net capital of \$93,332. The Company's ratio of aggregate indebtedness to net capital was 26.17%.

Advances, distributions or other capital withdrawals paid to FGL or the Company's affiliates are subject to certain notification and other provisions of the net capital rules of the SEC and FINRA.

**7. Related Party Transactions**

Under a Services Agreement by and between FGL and the Company, FGL has agreed to compensate the Company in consideration of the Company assisting FGL with respect to solicitation and distribution of certain investment funds.

The Services Agreement may be terminated by either FGL or the Company by giving at least thirty (30) days written notice. As of the report date, the Company has not provided solicitation or distribution services to FGL for 2009, has not received Services fees from FGL and no notice of termination has been received or given.

**8. Subsequent Event**

FGL, certain principals of FGL and certain affiliates of the Company have been named as defendants in various legal actions arising from private investment funds managed by affiliates of the Company that maintained accounts at Bernard L. Madoff Investment Securities LLC.

STATEMENT OF FINANCIAL CONDITION

Fairfield Heathcliff Capital LLC

*December 31, 2008*

*with Report of Independent Auditors*